

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY LISBON PRIORITY

INFO AMEMBASSY LONDON PRIORITY

C O N F I D E N T I A L STATE 173941

EXDIS

E.O. 11652: GDS

TAGS: EFIN, PO

SUBJECT: RUMORED USG ADVICE TO WITHDRAW FUNDS FROM PORTUGUESE BANKS

REFS: A) LISBON 3841; B) LISBON 3887; C) STATE 162933

1. SUBSEQUENT TO REFTEL B), COMPTROLLER RECEIVED FOLLOWING DETAILS ON CIRCUMSTANCES SURROUNDING BANCO TOTTA AND AZORES (BTA) ALLEGATION THAT SECURITY PACIFIC BANK (SPB) WAS WITHDRAWING DEPOSIT PURSUANT TO INSTRUCTIONS OF FED EXAMINERS.

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2. SPB ITSELF MADE DECISION TO WIND DOWN EXPOSURE IN PORTUGAL.WHEN BTA LONDON CALLED SPB LONDON TO DISCUSS A ROLLOVER OF SPB'S 5 MILLION DOLS PLACEMENT, SPB TRADER IN-

DICATED THAT A DECISION HAD BEEN MADE TO PLACE FUNDS ELSEWHERE FOR WHAT, HE ASSUMED, WAS BETTER USE. IN UNUSUAL MOVE, MANAGER OF BTA CALLED SPB MANAGER TO SEE IF LATTER COULD INTERCEDE IN THIS DECISION. IT WAS THEN THAT SPB WAS FORCED TO TELL BTA THAT IT WAS A CREDIT DECISION. BROAD DISCUSSION FOLLOWED IN WHICH SPB INDICATED THE MANY FACTORS IN A CREDIT DECISION, INCLUDING A CONSIDERATION OF THE POSSIBLE VIEWS OF BANK EXAMINERS. IT WAS NOT USED BY THE BANK OFFICER AS A MAJOR CONSIDERATION. MISINTERPRETA-

TION OF THIS CONVERSATION WAS PROBABLY ORIGIN OF RUMOR IN REF A.

3. DEPT. HAS CONTACTED DILLION, READ AND CO. AS REQUESTED REF C AND WE ARE AWAITING REPLY. RESPONSE SHOULD FOLLOW SHORTLY. KISSINGER

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